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MANAGEMENT OF PERSONAL FINANCIAL
AFFAIRS BY SUBMARINE OFFICERS

by

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PREFACE

Anyone's problem of personal finance is essentially knowing his income and planning his outgo. A prudent man will project his planning well into the future, and through systematic savings, proper investments, and continual thought and consideration of objectives, prepare for retirement, education of children, and, lastly, upon death for the welfare of his loved ones.

The writer, a military officer, is by no stretch of the imagination an authority in the field of estate planning, and its associated fields of insurance and investments. However, if the survey used to obtain data for this thesis stimulated discussions in the wardrooms or homes of the submarine officers involved, then perhaps some benefit has been derived from this effort.

Grateful acknowledgement is extended to Dr. John R. Rizzo for his valuable assistance in editing this thesis and for his suggestions to improve its content. Of course, the writer alone is responsible for any opinions expressed and for the elementary nature of coverage in so broad a field.

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INTRODUCTION

The problem of money has plagued many people, either directly or indirectly, from birth to death. It is certainly uppermost in their minds from the time when they assume adult responsibilities. The male population devotes at least a portion of each day to the pursuit of some form of work for the purpose of earning money and providing for the necessities of life for himself and his family. The more fortunate, hopefully, will allow time for the difficult chore of investing some part of earnings for future needs. This planning for the future -- for retirement, for education of one's children and many other reasons -- requires thought, sorting of objectives, and planning. To use the words of one author:

> Planning is an integral part of the American genius. In government, business and private social organizations our progress has been outstanding. On the other hand, individual financial planning has been largely neglected in our educational scheme. Yet it lies at the heart of our well-advertised goals of individual security, welfare, and happiness -- to say nothing of an enjoyable old age.[1]

A sensible person makes suitable plans for the future. He plans for the day-to-day well-being of his family and saves for the education of his children. Although he is confronted with short-term financial decisions such as the purchase of winter clothes, a new washing machine, or an automobile, it is the future that requires his major efforts. He should recognize his responsibility to his family and make plans to pass his estate on with minimum costs and difficulties, and with maximum advantage to his family.

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[1]John E. Leibenderfer, Planning Your Financial Independence (Norman, Okla.: University of Oklahoma Press, 1954), p. 3.

Pliny the Elder said 1800 years ago that "the only certainty is that nothing is certain" while Benjamin Franklin many years later considered that death and taxes were certainties. In any case, it appears that there are three inescapable events, namely: that death is inevitable, that "you can't take it with you", and that someone else is going to get your property. Thus, a few hours spent in writing a will, in planning an insurance program, or generally taking stock of one's economic objectives and goals may prove to be the most valuable hours ever spent. This final plan, however, requires the professional assistance of a lawyer, insurance agent, or estate planner, to insure that the many complexities of law are understood and complied with.

Persons in the military service are confronted with basically the same financial problems as those persons in civilian life. There are so-called "fringe benefits" such as medical care and retirement programs but similar benefits are available in industry and government. A retirement program is of some benefit, but early-age forced retirement often finds the serviceman beginning a new career in his middle 40's. This occurs at a time when his children are entering college years and other expenses are mounting. Thus, steps should be taken during early productive years to make provision for post-retirement years through savings or investments. Survivor benefits to dependents help to reduce the amount of insurance necessary to provide adequately for the wife and children but adequate insurance must be carried to insure proper care, education of children, and the like, after death.

The needs of one person may be entirely different from those of another for various reasons. The financial backgrounds of the parents of the husband and wife may be such that the financial security of the future is assured and need for insurance and investments are non-existent or at a minimum. For others, the picture may be just the opposite, and provisions for the future must be made utilizing a

portion of the military pay or other sources, such as income from periods when the wife is employed. Regardless of the financial backgrounds of the various individuals concerned, there are certain fundamentals such as proper estate planning that should not be overlooked.

For the serviceman, certain problems different from the civilian may be generated by the very nature of military duty. Duty in combat zones, military flying, or submarine duty, are a few examples of activities that in themselves could be considered sufficiently hazardous to provide cause for adequate planning of the serviceman's personal affairs. In the press of day-to-day activities these fundamentals are often overlooked or ignored, thus resulting in possible loss, confusion, and distress, on the part of one's family.

The loss of the nuclear submarine THRESHER at sea in 1963 focused attention on the unhappy results of poor or improper planning of personal affairs. The following is a portion of a letter written to Commanding Officers of units of the Submarine Force, U. S. Atlantic Fleet in July, 1963, by the Deputy Commander Submarine Force, U. S. Atlantic Fleet. It illustrates the need to maintain personal affairs in order:

> Dear Captain:
>
> The loss of THRESHER, the resultant investigations, and our own critical self-evaluations have focused added attention to several areas where improvements are possible. Vigorous action is being taken at all levels to take official action where need is indicated. There is one area, however, where you personally can counsel your people in a matter which would provide added security to dependents if needed. I refer to Personal Affairs, primarily in the area of insurance and wills. The unhappy consequence of failure to maintain personal affairs in order is indicated by the following survey of THRESHER dependents:

	Officers	Enlisted
Range of insurance	0 to $45,000	0 to $35,000
Average amount of insurance	$23,700	$12,750
Percentage with no insurance	11%	22%
Percentage leaving wills	55%	1%
Percentage leaving valid wills	44%	1%

Case ONE: One officer with wife and three children had not changed beneficiary from mother to wife. Widow and three children left no insurance benefit and no will.

Case TWO: One man failed to change beneficiary from parents to wife and children.

Case THREE: Widow states she was with husband when he changed beneficiary from parents to her for NSLI but parents received whole benefit since change was not recorded.

Case FOUR: Will lacked a third witness and so was invalid in state where probated. Widow made guardian of all property but required to appear in court prior to selling anything, even personal clothing.

Case FIVE: Widows with no wills -- situation confused for officer -- cloudy for enlisted men.

Most significantly, the THRESHER widows voiced these recommendations:

Officers:

1. All officers should carry Navy Mutual Aid and Armed Forces Relief and Benefit Association Insurance.

2. Navy should require husband to make wife beneficiary of insurance upon marriage.

3. Navy should require husbands to make wills.

Enlisted: Compel Navy men to carry insurance and make wills.

Since THRESHER's loss, command attention has been directed toward rectifying what appears to have been a certain laxity on the part of submarine personnel in regard to their own personal affairs.

The extent to which this apparent deficiency has been corrected is unknown to the author. Thus, the purpose of this thesis is to inquire into the personal habits of a selected group of submarine officers with an aim toward determining, if possible, to what extent their personal affairs are in order.

Several areas of financial planning will be investigated with major emphasis being placed on insurance, estate planning, and savings and/or investments. For the purposes of this thesis the phrase "personal affairs" includes those segments of individual and family finance such as planned spending, techniques of savings, places to invest savings, types of investments and insurance, as well as estate planning. It is not the intent of the author to discuss in detail the subjects just mentioned, as much more authoritative information is available in numerous books, periodicals, and other publications. However, as a result of a survey of several hundred submarine officers it is hoped to detect any weaknesses or trends in these areas and to make recommendations for improvement or correction.

Specifically, the responses to financial planning questions obtained by a survey will be described and, where appropriate, the results will be compared with the limited data available from the THRESHER survey. Specific information with regard to amounts of insurance carried by each officer and to individual wills could not be determined from Navy Department, Bureau of Naval Personnel files, since existing documents at that time required only that names of insurance companies and policy numbers be listed, and no reference was made to wills. Brief biographies were available on each of the 16 officers lost on THRESHER,[2] thus official documents and biographies revealed the following:

Rank:

TABLE 1

LCDR	7
LT	3
LTJG	6
Total	16

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[2]United States Ship THRESHER (SSN 593) Memorial Publication Commander Submarine Force, U. S. Atlantic Fleet, Circa 1963.

Percentages used in Tables 2-6 are computed using: N = 16; LCDR-7; LT-3; LTJG-6. Table rows total 100%.

Marital status:

TABLE 2

	Single	Married
LCDR		100.0
LT		100.0
LTJG	50.0	50.0
Total	18.8	81.2

Age:

TABLE 3

	20-25	26-30	31-35	36-40
LCDR			71.5	28.5
LT			100.0	
LTJG	66.7	33.3		
Total	25.0	12.5	50.0	12.5

Average age: 30.5 years

Number of dependents:

TABLE 4

	0	1	2	3	4	5	Over 5
LCDR				28.6	42.8		28.6
LT				33.3	33.3	33.4	
LTJG	50.0	33.3	16.7				
Total	18.8	12.5	6.2	18.8	25.0	6.2	12.5

Total number of dependents: 46

Education:

TABLE 5

	High School	Bachelor's Degree	Graduate Credit	Master's Degree	Doctor's Degree
LCDR		57.1	*	28.6	14.3
LT	33.3	33.3	*	33.4	
LTJG		100.0	*		
Total	6.3	68.6		18.8	16.3

*Information regarding graduate credit was not available

Insurance:

TABLE 6

	Navy Mutual Aid	Armed Forces Relief and Benefit Ass'n
LCDR	57.2	42.8
LT	33.3	33.3
LTJG	50.0	
Total	50.0	25.0

Certain relationships will also be investigated. Some relationships of interest are:

1. Does the amount of life insurance carried increase with rank, marital status, and number of dependents?

2. Does general financial knowledge improve with rank?

3. Does sophistication of investments improve with rank?

4. Does overall estate planning improve with rank and marital status?

Other relationships will be examined where the data appears to warrant further investigation.

CHAPTER I

METHODOLOGY

Information needed to determine the present status of the personal affairs of submarine officers was not readily available to the author. An objective questionnaire, as reproduced in Appendix I, was used in the survey. Although the financial background of the officers surveyed (as well as that of their parents or spouse) would greatly affect such items as insurance, consumer credit habits, and investments, an investigation of such background was considered beyond the scope of this study. Therefore, consideration will be given to personal financial planning apart from the possible sources of monies involved in such planning.

Subjects

Subjects were officers of the United States Navy who were serving in the Submarine Force, U. S. Atlantic Fleet during the period data was collected for this study, the months of December, 1965, and January, 1966. These officers were attached to submarines or submarine staffs and were receiving submarine or incentive pay. The ages of the subjects ranged from the low 20's to the middle 40's with an average age of about 30. This average age would indicate an average length of service of about nine years. The predominant rank was that of Lieutenant, with 69 officers above that rank and 55 below. From an educational standpoint, nearly 75 percent of the officers held bachelor degrees.

Sampling

The total population of submarine officers attached to submarines or submarine

staffs and receiving submarine pay was approximately 3016 with a breakdown as follows:

Atlantic Fleet	1996
Pacific Fleet	1020
Total	3016

In view of normally slow mail service during the holiday period, it was decided to sample only officers in the Atlantic Fleet, thus hopefully reducing delays in response to a minimum. In order to insure that the questionnaires were mailed only to officers who could reasonably be expected to receive them and reply during the months of December, 1965, and January, 1966, it was necessary to determine which units would be in port during this period. The fact that most submarines with the exception of deployed units would be in port some of this time for holiday leave and upkeep, the problem of finding subjects in port was simplified. In addition, non-deployed members of Polaris submarines (off-crews) were available in many cases. After determining the availability of submarines and off-crews, a listing by rank of officers attached to the submarines and submarine staffs was made, using the most up-to-date roster information available. The available population then totaled 1333. The breakdown by rank was as follows:

Captain	22
Commander	81
Lieutenant Commander	255
Lieutenant (Senior Grade)	576
Lieutenant (Junior Grade)	368
Ensign	31
Total	1333

From a statistical point of view, a 10 percent sample by rank was considered adequate for valid results. However, to insure that sufficient replies were received from this purely voluntary survey, a 20 percent sample (or larger) was

surveyed. The total number of officers to receive the questionnaire, therefore, was 272. This breakdown by rank was:

Captain	5
Commander	17
Lieutenant Commander	51
Lieutenant (Senior Grade)	120
Lieutenant (Junior Grade)	73
Ensign	6
Total	272

Consecutive numbers were assigned the officers' names within each rank category. Random number tables contained in a textbook on statistics[1] were used in accordance with recognized procedures to select the subjects to receive the questionnaire.

Background information necessary to describe the sample population was obtained from replies by 236 officers to questions 2-5 of Section I of the questionnaire (Appendix I) and is summarized (by percentage) below. Percentages are computed using: N = 236; CAPT-4; CDR-14; LCDR-51; LT-112; LTJG-52; ENS-3.

Marital status:

TABLE 7

	Single	Married	Separated	Divorced	Widowed
CAPT		100.0			
CDR		100.0			
LCDR		98.0			2.0
LT	17.0	82.0	1.0		
LTJG	19.3	80.7			
ENS	33.3	66.7			
Total	12.7	86.4	0.45		0.45

[1]J. E. Freund and F. J. Williams, Elementary Business Statistics: The Modern Approach (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1964), Table VIII.

Age:

TABLE 8

	20-25	26-30	31-35	36-40	41-45	46-50
CAPT					100.0	
CDR				64.0	36.0	
LCDR			78.5	21.5		
LT	8.0	69.5	17.9	3.6	1.0	
LTJG	77.0	7.7	13.5	1.8		
ENS	33.3	66.7				
Total	21.2	35.6	28.4	10.6	4.2	

Number of dependents:

TABLE 9

	0	1	2	3	4	5	Over 5
CAPT				25.0	25.0		50.0
CDR			7.1	35.8	35.8	7.1	14.2
LCDR		7.8	9.8	25.6	29.4	17.6	9.8
LT	16.1	10.7	20.5	35.5	12.5	2.7	
LTJG	17.3	28.8	27.0	7.7	9.6	7.7	1.9
ENS	33.3	33.3	33.4				
Total	11.8	13.5	18.6	27.6	17.0	7.2	4.3

It is noted that the number of dependents totaled 610 or more (average of 2.6 per subject.) Several single officers reported dependents which explains the difference between total percentages 12.7 and 11.8 in Tables 1 and 3 respectively.

Education:

TABLE 10

	High School	Bachelor's Degree	Graduate Credit	Master's Degree	Doctor's Degree
CAPT		25.0	50.0	25.0	
CDR		57.1	7.1	35.8	
LCDR	3.9	62.8	31.4	1.9	
LT	5.3	80.3	10.7	2.7	1.0
LTJG	11.5	78.8	9.7		
ENS		100.0			
Total	5.9	74.2	15.2	4.3	0.4

Questionnaire

Information from the survey was obtained by means of a questionnaire which was mailed to each officer. This questionnaire, presented in Appendix I, was entitled "Personal Financial Management Questionnaire for Submarine Officers" and consisted of a covering letter and five pages of questions divided into the following areas:

Section I - General

Consisted of 9 questions relating primarily to the officer's personal background.

Section II - Insurance

Consisted of 8 questions dealing with the officer's insurance program and general knowledge of insurance.

Section III - Estate Planning

Consisted of 9 questions pertaining to wills and estate planning.

Section IV - Savings/Investments

Consisted of 5 questions concerning various means of savings or investing.

Section V - Consumer Credit

Consisted of 5 questions with regard to credit habits of the officer.

The questionnaire was constructed in such a way that it could be answered in 10 to 15 minutes. Questions were made as clear and concise as possible. The primary areas of interest were insurance and estate planning, since these were the weak areas in the THRESHER survey. Sections IV and V provided an insight into investment habits as well as attitudes of subjects with regard to consumer credit. The questions themselves were formulated based on key points obtained from readings in the four areas and from the author's personal experiences, observations, and discussions with submarine officers over the years.

Procedures for Administration

Questionnaires were mailed to individual officers with a forwarding letter (see Appendix II) to the Commanding Officer of the vessel to which they were attached. It was requested of the Commanding Officer that the enclosed questionnaire be delivered to the subject officer for completion and early return. To facilitate return, a self-addressed, postage-paid envelope accompanied each questionnaire. The entire group of 272 questionnaires was mailed on December 19, 1965. The majority of replies were received prior to January 10, 1966.

Distribution

Questionnaires were mailed to officers attached to the following commands of the Submarine Force, U. S. Atlantic Fleet (by type):

Submarine Squadron Staffs	3
Submarines (Diesel) (SS)	45
Submarines (Nuclear) (SSN)	11
Submarines (Fleet Ballistic Missile) (SSBN)	27
Total	86

CHAPTER II

RESULTS

Number Responding to Questionnaire

As discussed in Chapter 1, a 10 percent sample by rank was considered adequate but, in order to insure that sufficient replies were received, a 20 percent sample was used. Responses were as follows:

TABLE 11

	Number Mailed	Number Received	Percent Response
CAPT	5	4	80.0
CDR	17	14	82.1
LCDR	53	51	100.0
LT	120	112	93.1
LTJG	73	52	71.2
ENS	6	3	50.0
Total	272	236	86.6

The 236 respondents represent a sample of 17.7% of the population of 1333, fairly evenly distributed by rank (except for Ensign).

The overall response to the questionnaire was most gratifying and, with the exception of the responses from Ensigns, exceeded the minimum requirements by a large margin. In view of the voluntary nature of this survey, there are strong indications of interest on the part of submarine officers in the general area of personal affairs. Some 22 percent of thos officers responding to the survey requested a copy of the results.

Responses to the Questionnaire Items

Responses will be discussed in order of their appearance on the questionnaire.

The first five questions, in the General section of the questionnaire (Rank, Marital Status, Age, Number of Dependents, and Education) were described in Chapter II, Methodology, and will not be repeated here.

Interpreting the Tables

Tables are presented in terms of percentages except where indicated otherwise. Percentages are based on the N's presented by rank in the "Number Received" column in Table 5 except where indicated otherwise. Where the tables have more than one column, rows (rank breakdown) will total 100% unless indicated otherwise. For some dichotomous-response items (e.g. YES-NO), only one column is presented. Rows therefore will not total 100%. Column total percentages indicate the percent of all officers choosing a response alternative to an item, regardless of rank.

Remaining General Section Questions

6. Do you have an up-to-date document in custody of a competent person, in a safety deposit box, or the like, that lists where your important papers such as will, stocks, insurance, etc., can be found?

TABLE 12

	Yes
CAPT	50.0
CDR	71.4
LCDR	58.8
LT	50.8
LTJG	42.4
ENS	33.3
Total	51.8

7. In event of your sudden death, does your wife or some other person have knowledge of your personal financial affairs?

TABLE 13

	Yes
CAPT	100.0
CDR	100.0
LCDR	96.0
LT	89.2
LTJG	88.5
ENS	100.0
Total	91.5

8. Is your wife presently (or periodically) employed?

TABLE 14

	Yes
CAPT	
CDR	7.1
LCDR	7.8
LT	8.0
LTJG	19.2
ENS	66.7
Total	11.0

9. If answer to question 8 is yes, does she work:

a. In order to pay family debts?
b. In order to purchase luxury items not presently within your budget?
c. Because she has spare time and wants to be occupied?

TABLE 15

	N	9.a	9.b	9.c
CDR	1			100.0
LCDR	4		75.0	25.0
LT	9	11.1	33.3	55.6
LTJG	10		70.0	30.0
ENS	2		100.0	
Total	26	3.8	57.6	38.6

The percentage of wives employed scales down fairly rapidly from Ensign to Commander. The primary reason for employment appears to be for the purpose of purchasing luxury items not within the present budget.

Responses to Insurance Questions (1-8)

1. The following listing indicates the average amounts of insurance carried by officers of each rank according to marital and dependency status as well as the high and low amounts within each group. Following each rank group is the amount of insurance suggested by Navy Mutual Aid Association[1] for a married

[1]Navy Mutual Aid Association, Navy Department, Washington, D. C. Suggested Minimum Life Insurance Program for Career Officers (Revised 11-1965).

officer (Lieutenant and above) with three dependents, Lieutenant (Junior Grade) with two dependents and Ensign without dependents. Figures are in thousands of dollars.

Rank	Marital Status	Depend-ents	N	Total*	Group	Term	Ordi-nary	Limit-ed	High	Low
				TABLE 16						
CAPT	Married	3	1	52.0	22.0	10.0	5.0	15.0	52.0	52.0
	Married	4	1	70.0	10.0	10.0	40.0	10.0	70.0	70.0
	Married	Over 5	2	90.5	20.0	10.0	50.5	10.0	115.0	66.0
Navy Mutual Aid			3	56.0	10.0	15.0	20.0	11.0		
	*Overall average			75.7						
				TABLE 17						
CDR	Married	2	1	45.0	10.0	10.0	25.0		45.0	45.0
	Married	3	5	57.0	7.0	19.0	31.0		78.0	40.0
	Married	4	5	63.6	13.0	10.0	23.4	17.2	90.0	25.0
	Married	5	1	70.0	20.0	10.0	40.0		70.0	70.0
	Married	Over 5	2	77.5	20.0	38.5	13.5	5.5	103.0	52.0
Navy Mutual Aid			3	56.0	10.0	15.0	20.0	11.0		
	*Overall average			62.3						
				TABLE 18						
LCDR	Married	1	4	42.2	8.8	6.2	21.5	5.7	80.0	55.0
	Married	2	4	54.5	7.0	12.5	35.0		65.0	35.0
	Married	3	12	55.8	17.7	9.9	20.5	7.7	77.0	32.0
	Widowed	3	1	80.0	10.0		50.0	20.0	80.0	80.0
	Married	4	15	44.5	13.5	14.6	14.3	2.1	77.0	32.0
	Married	5	10	56.6	11.0	20.7	16.2	8.7	85.0	30.0
	Married	Over 5	5	54.0	4.0	20.0	30.0		60.0	45.0
Navy Mutual Aid			3	56.0	10.0	15.0	20.0	11.0		
	*Overall average			51.8						

TABLE 19

Rank	Marital Status	Dependents	N	Total*	Group	Term	Ordinary	Limited	High	Low
LT	Single	0	16	28.8	6.6	2.8	16.6	2.6	80.0	10.0
	Single	1	2	30.5	5.0	7.5	18.0		35.0	26.0
	Married	1	10	36.0	8.2	9.6	14.5	3.7	76.0	20.0
	Married	2	23	44.8	8.3	7.5	20.8	8.2	108.0	20.0
	Married	3	42	48.5	8.1	18.9	20.6	0.9	90.0	20.0
	Married	4	15	44.5	6.3	11.5	22.7	4.0	90.0	28.0
	Married	5	3	51.6	7.3	13.3	29.3	1.7	62.0	40.0
	Separated	0	1	40.0		10.0	30.0		40.0	40.0
Navy Mutual Aid			3	41.0	10.0		20.0	11.0		
	*Overall average			42.7						

TABLE 20

LTJG	Single	0	8	23.0	3.7	3.9	15.4		32.0	10.0
	Single	1	1	40.0		10.0	30.0		40.0	40.0
	Single	4	1	24.0		20.0	4.0		24.0	24.0
	Married	1	14	27.1	3.6	7.7	14.0	1.8	57.0	12.0
	Married	2	14	34.8	8.2	10.4	16.0	0.3	60.0	20.0
	Married	3	5	34.0	4.0	5.0	18.0	7.0	45.0	20.0
	Married	4	4	31.8	6.3	17.0	8.5		45.0	10.0
	Married	5	5	47.0	12.5	15.0	18.8	0.7	85.0	30.0
	Married	Over 5	5	10.0	10.0				10.0	10.0
Navy Mutual Aid			2	31.0	10.0		10.0	11.0		
	*Overall average			31.0						

TABLE 21

ENS	Single	0	1	20.0			20.0		20.0	20.0
	Married	1	1	50.0		10.0	10.0	30.0	50.0	50.0
	Married	2	1	35.0	10.0	10.0	15.0		35.0	35.0
Navy Mutual Aid			0	21.0	10.0			11.0		
	*Overall average			35.0						

The overall average is a weighted average. This weighted average is the sum of the number of people in each row multiplied times total insurance and divided by total number of people.

The average amount of insurance carried by the 236 officers equalled $43,700. The average amount of insurance carried by the 215 officers in ranks of Lieutenant Commander, Lieutenant (Senior Grade) and Lieutenant (Junior Grade) equalled $42,200.

Table 16 lends evidence to examine the relationship between amount of life

insurance and rank, marital status, and number of dependents. There appears to be a fairly definite trend upward from a standpoint of rank and the amount of insurance carried with the exception of from Ensign to Lieutenant (Junior Grade) in which case the trend is downward (Tables 20 and 21). A comparison of amount of insurance with marital status is applicable only for Tables 19, 20, and 21 (Tables 16, 17, and 18 have only married respondents). In the majority of cases, a married officer carries more insurance than an officer who is single. The notable exception was the Lieutenant (Junior Grade) with over 5 dependents (Table 20). Finally, the general trend is upward when comparing amount of insurance carried with number of dependents. Minor exceptions may be found in Tables 18, 19, and 20 and 21.

2. Have you designated beneficiaries for insurance in accordance with your current desires?

TABLE 22

	Yes
CAPT	100.0
CDR	100.0
LCDR	100.0
LT	100.0
LTJG	98.0
ENS	100.0
Total	99.9

3. Many differences exist between term and permanent type insurance. Do you consider yourself fairly knowledgeable with regard to advantages and disadvantages of each type?

TABLE 23

	Yes	No	Partially
CAPT	75.0		25.0
CDR	78.5		21.5
LCDR	78.4	1.9	19.7
LT	76.0	3.6	20.4
LTJG	65.5	7.7	26.8
ENS	33.3	33.3	33.4
Total	73.8	4.2	22.0

3.a Do you use permanent plan insurance as a means for "forced savings"?

TABLE 24

	Yes
CAPT	50.0
CDR	55.7
LCDR	25.5
LT	23.2
LTJG	23.1
ENS	100.0
Total	25.9

3.b For financial planning purposes, do you consider the cash value of your permanent plan insurance to be similar to cash savings (assuming policy is not surrendered)?

TABLE 25

	Yes	No	Not Sure
CAPT	50.0	50.0	
CDR	42.9	57.1	
LCDR	33.3	60.8	5.9
LT	27.7	62.5	9.8
LTJG	32.7	59.6	7.7
ENS	33.3	33.3	33.4
Total	31.3	60.6	8.1

3.c How do you pay insurance premiums? Check as many as are applicable: (Due to multiple type answers sums of percentages may not equal 100)

TABLE 26

	Monthly Allotment	Quarterly	Semi-Annually	Annually
CAPT	100.0		25.0	25.0
CDR	93.0	7.1	7.1	7.1
LCDR	100.0	5.9	1.9	23.6
LT	92.8	8.1	3.6	17.9
LTJG	92.3	7.7	3.9	13.5
ENS	100.0	—	—	—
Total	97.5	7.2	3.8	17.4

3.d Are you aware that certain insurance companies give a discount for paying premiums on a quarterly, semi-annual or annual basis?

TABLE 27

	Yes
CAPT	100.0
CDR	100.0
LCDR	90.2
LT	78.6
LTJG	78.9
ENS	33.3
Total	82.2

4. Have you reviewed the settlement options of each policy recently to insure that with change in age of dependents, or for other reasons, the methods of payment to beneficiaries reflect your desires at this time?

TABLE 28

	Yes
CAPT	25.0
CDR	93.0
LCDR	74.5
LT	68.8
LTJG	61.5
ENS	66.7
Total	69.0

5. Do you have insurance coverage with (check where applicable):

__ Navy Mutual Aid Association?
__ Armed Forces Relief and Benefit Association?

TABLE 29

	NMA	AFRBA
CAPT	75.0	100.0
CDR	35.8	71.5
LCDR	58.8	47.0
LT	52.0	27.7
LTJG	19.2	7.7
ENS	33.3	———
Total	43.2	31.0

6. Check those areas that you attempted to assure coverage of under your present life insurance plan:

__ General coverage (beneficiaries can dispose of payment as they see fit).
__ Adjustment period (immediately after death).
__ Monthly living income.
__ Pay off mortgage on home.
__ Educational needs of children.

(Sum of percentages may not equal 100 for this multiple answer question)

TABLE 30

	General Coverage	Adjustment Period	Living Income	Pay Off Mortgage	Education of Children
CAPT	100.0	75.0	75.0		25.0
CDR	78.5	71.5	57.0	35.7	57.0
LCDR	76.5	49.0	60.9	33.3	58.8
LT	85.7	48.2	41.1	14.3	37.5
LTJG	73.0	52.0	38.6	21.2	38.6
ENS	66.7	66.7	100.0	33.3	33.3
Total	80.5	51.3	47.1	21.2	43.3

7. Do you have specific education insurance on your children?

TABLE 31

	N	Yes	Average Amount
CAPT	4		
CDR	14	21.4	$3,200
LCDR	47	6.4	8,200
LT	82	10.9	6,400
LTJG	28	25.0	2,150
ENS	1		
Total	176	13.1	$4,850

8. Based on your present status do you consider your insurance coverage adequate?

TABLE 32

	Yes	No	Not Sure
CAPT	100.0		
CDR	85.6		14.4
LCDR	76.6	13.7	9.7
LT	91.0	6.2	2.8
LTJG	86.5	9.6	3.9
ENS	100.0		
Total	86.9	8.0	5.1

Responses to Estate Planning Questions (1-9)

1. Do you have a will?

Does your wife have a will?

TABLE 33

	Officer	N	Wife
CAPT	100.0	4	50.0
CDR	100.0	14	71.5
LCDR	96.0	50	44.0
LT	86.4	92	32.6
LTJG	73.0	42	14.0
ENS	33.3	2	———
Total	82.1	204	28.8

2. Is the will valid in your state of residence?

Is your wife's will valid in her state of residence?

TABLE 34

	Officer				Wife			
	N	Yes	No	Not Sure	N	Yes	No	Not Sure
CAPT	4	100.0			2	100.0		
CDR	14	78.6		21.4	11	63.5		36.5
LCDR	49	81.5		18.5	22	86.3		13.7
LT	88	79.5	6.8	13.7	30	80.0		20.0
LTJG	38	65.7	5.2	29.1	6	66.5		33.5
ENS	1	———	———	100.0	0	———	———	———
Total	194	77.2	4.1	18.7	71	79.0		21.0

3. Are you familiar with the laws of your state of residence with regard to dying intestate (without leaving a will)?

TABLE 35

	Yes	No	Not Sure
CAPT	50.0	50.0	
CDR	50.0	35.7	14.3
LCDR	45.1	35.3	19.6
LT	20.5	53.6	16.9
LTJG	19.2	61.6	19.2
ENS	———	100.0	———
Total	31.8	50.8	17.4

4. Have you reviewed your will recently in the light of changed circumstances such as:

a. Birth or adoption of children since the will was signed?
b. Death of any beneficiaries?
c. Death, age, failing powers or lack of qualification of person(s) named as executor?

TABLE 36

	Officer		Wife	
	N	Yes	N	Yes
CAPT	4	100.0	2	100.0
CDR	14	78.5	11	81.8
LCDR	49	79.5	22	81.9
LT	88	75.0	30	73.3
LTJG	38	81.5	6	66.7
ENS	1	100.0	0	———
Total	194	78.5	71	70.4

5.a Part of estate planning would be to decide your family's income requirements; estimate government benefits available to widow and children as well as lump sum payments; determine how much insurance and/or investments will be required to fill the gap between the surviving family's income requirements and the available benefits. Have you taken steps to plan your estate?

TABLE 37

	Yes
CAPT	75.0
CDR	92.8
LCDR	76.3
LT	72.4
LTJG	51.9
ENS	66.7
Total	70.0

If "yes", when?

Approximately 50 percent of those answering the first part of this question "yes" indicated the date when steps were taken to plan the estate. Of this group, 77 percent indicated that some estate planning had been done within the past two years.

5.b Have you sought professional advice regarding proper estate planning?

TABLE 38

	N	Yes
CAPT	3	33.3
CDR	13	53.8
LCDR	39	64.0
LT	81	59.2
LTJG	27	74.0
ENS	2	100.0
Total	165	62.5

6. Are you aware at what value your estate becomes subject to estate inheritance taxes?

TABLE 39

	Yes	No	Not Sure
CAPT	50.0	50.0	
CDR	64.2	28.6	7.2
LCDR	27.4	29.0	23.6
LT	24.1	60.8	15.1
LTJG	19.2	67.3	13.5
ENS	----	100.0	----
Total	26.3	55.5	18.2

7. For Federal estate tax purposes would you consider the following proceeds as part of your estate?

a. Life insurance?
b. Retired Serviceman's Family Protection Plan?

TABLE 40

	a. Life Insurance			b. RSFPP		
	Yes	No	Not Sure	Yes	No	Not Sure
CAPT	25.0	75.0			25.0	75.0
CDR	42.9	42.9	14.2	21.4	21.4	57.2
LCDR	27.4	47.0	25.6	17.6	33.3	49.1
LT	33.0	32.1	34.9	6.2	25.8	68.0
LTJG	36.6	23.1	40.3	8.0	46.0	46.0
ENS	----	33.3	66.7	----	33.3	66.7
Total	32.6	34.8	32.6	9.7	31.8	58.5

8. Are you familiar with the Uniform Gift to Minors Act?

TABLE 41

	Yes
CAPT	25.0
CDR	42.9
LCDR	21.6
LT	8.9
LTJG	13.5
ENS	—
Total	15.5

9. If answer to question 8 is "yes", have you considered this as a means of establishing an education fund for your children?

TABLE 42

	N	Yes
CAPT	1	100.0
CDR	6	83.3
LCDR	11	36.4
LT	10	50.0
LTJG	7	57.1
ENS	0	—
Total	35	54.3

Responses to Savings/Investments Questions (1-5)

1. Have you accumulated a contingency fund roughly equal to one month's base pay (or more) in order to be financially prepared for unforeseen emergencies?

TABLE 43

	Yes	No	Almost
CAPT	100.0		
CDR	100.0		
LCDR	74.5	9.8	15.7
LT	69.6	14.3	16.1
LTJG	57.7	23.1	19.2
ENS	33.3	—	66.7
Total	70.0	14.0	16.0

2. In place of (or in addition to) life insurance income are you now saving for long term needs such as education of children and your own retirement income?

TABLE 44

	Yes	To Some Extent	No
CAPT	75.0	25.0	
CDR	42.9	50.0	17.1
LCDR	45.2	43.2	11.6
LT	64.1	27.7	8.2
LTJG	42.3	48.0	9.7
ENS	66.7	33.3	
Total	54.3	36.9	8.8

2.a Do you do so systematically (regular deposits or investments)?

TABLE 45

	N	Yes
CAPT	4	75.0
CDR	13	46.2
LCDR	45	80.0
LT	103	86.5
LTJG	47	72.4
ENS	3	100.0
Total	215	79.5

2.b What type investments or savings do you have? (Sum of percentages may not equal 100 for this multiple answer question)

___ Series E bonds
___ Credit Union
___ Bank savings account
___ Savings and loan association
___ Common stocks
___ Mutual funds - loaded
___ Mutual funds - no load
___ Real estate

TABLE 46

	Series E Bond	Credit Union	Bank Savings	Savings Loan	Com Stock	Mut Fund-L	Mut Fund-N	Real Estate
CAPT	50.0	50.0	50.0	50.0	50.0	50.0		50.0
CDR	85.8	35.7	35.7	35.7	64.2	14.3		57.1
LCDR	37.3	39.2	56.9	25.5	45.1	17.6	15.7	43.1
LT	36.6	33.9	51.8	21.4	36.6	21.4	11.6	19.6
LTJG	30.8	36.5	55.8	21.2	23.1	11.5	19.2	25.0
ENS	33.3	66.7	33.3					
Total	38.6	36.5	52.6	23.3	37.0	18.2	13.1	28.4

2.c Do you buy Series E bonds for: Patriotic reasons; Safety of investments; Good return? (Sum of percentages may not equal 100 for this multiple answer question).

TABLE 47

	N	Patriotic	Safety	Return
CAPT	2	100.0	100.0	
CDR	12	50.0	50.0	
LCDR	19	79.0	58.0	5.2
LT	41	41.5	73.1	7.3
LTJG	16	50.0	67.5	6.2
ENS	1	100.0		
Total	91	55.0	68.0	5.5

2.d Why do you buy common stocks? Good return; Capital appreciation; Safety; Hedge against inflation? (Sum of percentages may not equal 100 for this multiple answer question).

TABLE 48

	N	Return	Appreciation	Safety	Inflation
CAPT	2		100.0		100.0
CDR	10		80.0		20.0
LCDR	21	23.8	90.5		52.5
LT	41	34.2	83.0	7.3	58.5
LTJG	12	33.3	75.0	8.3	58.3
ENS	0				
Total	86	26.8	83.8	4.6	53.5

2.e Why do you buy mutual funds? Good return; Capital appreciation; Safety; Diversification; Professional management; Hedge against inflation? (Sum of percentages may not equal 100 for this multiple answer question).

TABLE 49

	N	Return	Apprec'n	Safety	Divers'n	Mgmt	Inflation
CAPT	2		100.0		50.0	50.0	50.0
CDR	1		100.0				
LCDR	17	29.4	47.0	23.5	41.1	70.6	29.4
LT	32	28.1	40.6	21.9	59.4	65.6	34.4
LTJG	15	13.3	26.6	20.0	53.4	66.7	40.0
ENS	0						
Total	67	23.9	41.8	20.9	52.3	65.7	34.3

2.f Are you familiar with the principle of "dollar-cost-averaging"?

TABLE 50

	Yes	No	Somewhat
CAPT	50.0	25.0	25.0
CDR	50.0	21.4	28.6
LCDR	43.2	33.3	23.5
LT	30.4	54.5	15.1
LTJG	13.5	61.5	25.0
ENS	33.3	66.7	———
Total	30.9	49.1	20.0

2.g Are you aware of the Monthly Investment Plan offered by member firms of the New York Stock Exchange for purchase of individual stocks in amount of $40 or more per month or quarter?

TABLE 51

	Yes	No	Somewhat
CAPT	75.0		25.0
CDR	64.3	21.4	14.3
LCDR	62.8	25.5	11.7
LT	45.6	35.7	18.7
LTJG	30.7	55.8	13.5
ENS		66.7	33.3
Total	47.0	36.9	16.1

3. Do you "shop" around for the Savings and Loan Association that: (Check as many as are applicable)

___ Pays the highest return?
___ Pays interest to date of withdrawal?
___ Is insured by agencies of U. S. Government?
___ Is most convenient?
___ Pays interest quarterly?

(Sum of percentages may not equal 100 for this multiple answer question)

TABLE 52

	N	Return	Date of withdrawal	Insured U.S. Govt	Convenience	Interest Quarterly
CAPT	2	100.0		100.0		50.0
CDR	5	100.0	12.5	100.0	12.5	80.0
LCDR	13	100.0	61.5	100.0	61.5	46.2
LT	24	100.0	62.5	100.0	95.9	54.2
LTJG	11	100.0	27.3	100.0	100.0	36.4
ENS	0	———	———	———	———	———
Total	55	100.0	49.0	100.0	78.1	50.8

4. Do you own your present home?

TABLE 53

	N	Yes
CAPT	4	50.0
CDR	14	64.4
LCDR	51	60.8
LT	92	25.0
LTJG	42	28.6
ENS	2	———
Total	205	37.8

5. Do you consider buying a home as a form of investment?

TABLE 54

	Yes
CAPT	75.0
CDR	78.6
LCDR	64.6
LT	70.5
LTJG	84.6
ENS	100.0
Total	73.3

If answer is "yes", do you normally buy a home at duty stations wherever possible?

TABLE 55

	N	Yes
CAPT	3	
CDR	11	63.5
LCDR	33	51.5
LT	79	24.0
LTJG	44	18.2
ENS	3	33.3
Total	173	30.0

Responses to Consumer Credit Questions (1-5)

1. Do you use the revolving credit plan available at most stores?

TABLE 56

	Always	Occasionally	Seldom	Never
CAPT		25.0	50.0	25.0
CDR		21.4	21.4	57.2
LCDR	1.9	45.0	25.5	27.6
LT	2.7	28.5	20.5	48.3
LTJG	1.9	28.9	13.4	55.8
ENS	—	—	33.3	66.7
Total	2.1	31.8	20.8	45.3

2. If you use the revolving credit plan, is it because: (check most applicable)

__ Money is not available to pay cash and the item is a necessity?
__ Money is not available to pay cash and the item is considered a capital investment where the return is over and above the costs?
__ It is convenient and payments are reasonable?

TABLE 57

	N	Item is necessity	Capital investment	Payments reasonable
CAPT	3			100.0
CDR	6	16.7	16.7	66.6
LCDR	37	27.1	10.8	62.1
LT	52	28.8	11.6	59.6
LTJG	23	30.5	4.4	65.1
ENS	1	—	—	33.3
Total	122	27.1	9.8	63.1

3. Do you know what true annual interest rate is charged when you use "charge" or "easy-credit" plans?

TABLE 58

	Yes	No	Sometimes
CAPT	25.0	25.0	50.0
CDR	64.3	14.3	21.4
LCDR	80.6	9.7	9.7
LT	76.0	15.2	8.8
LTJG	65.4	21.2	13.4
ENS	100.0	—	—
Total	73.3	15.2	11.5

4. Do you purchase large items such as automobiles, major appliances, or boats on time payments?

TABLE 59

	Yes
CAPT	50.0
CDR	50.0
LCDR	66.6
LT	60.7
LTJG	76.9
LMS	66.7
Total	64.9

4.a If "yes", do you "shop" around for cheapest money or credit?

TABLE 60

	N	Yes	No	Sometimes
CAPT	2	100.0		
CDR	7	100.0		
LCDR	34	79.3	11.8	8.9
LT	68	80.8	4.4	14.8
LTJG	40	82.3	7.5	10.2
LMS	2	100.0		
Total	153	82.3	6.5	11.2

4.b If "yes", do you make the purchase on basis of small down payments, small monthly payments, without regard to true interest rates?

TABLE 61

	N	Yes	No	Sometimes
CAPT	2		100.0	
CDR	7		100.0	
LCDR	34		97.0	3.0
LT	68	1.5	75.0	8.7
LTJG	40	2.5	100.0	2.5
LMS	2		50.0	
Total	153	1.3	93.5	5.2

4.c If "yes", do you finance through the seller at his rates?

TABLE 62

	N	Yes	No	Sometimes
CAPT	2		50.0	50.0
CDR	7		100.0	
LCDR	34		97.0	3.0
LT	68	1.5	75.0	23.5
LTJG	40		100.0	
ENS	2		50.0	50.0
Total	153	0.6	87.0	12.4

5. When signing a purchase contract do you always read the fine print to make sure that you are aware of your obligations under the contract?

TABLE 63

	Yes	No	Sometimes
CAPT	50.0		50.0
CDR	64.3	14.3	21.4
LCDR	84.3	2.0	13.7
LT	82.0	4.5	13.5
LTJG	69.2		30.8
ENS	66.7		33.3
Total	78.0	3.3	18.7

The relationship of life insurance carried to marital status and number of dependents was discussed earlier in this chapter. For the discussion of the remaining three relationships, as outlined in the Introduction, reference will be made to those tables considered by the author to bear on the particular subject.

Does general financial knowledge improve with rank?

The following tables were referred to in determining the answer to this question:

Table 23 - pertains to knowledge of differences between term and permanent plan insurance.

Table 25 - asks if cash value of permanent plan insurance is considered similar to cash savings.

Table 26 - asks how insurance premiums are paid.

Table 27 - concerns awareness of discounts given for paying premiums on other than monthly basis.

Table 34 - questions the validity of wills.

Table 35 - questions familiarity with laws of state with regard to dying intestate.

Table 39 - concerns value of estate for tax purposes.

Table 40 - involves estate taxes and proceeds of life insurance and Retired Serviceman's Family Protection Plan.

Table 41 - questions familiarity with Uniformed Gift to Minors Act.

Table 50 - asks about "dollar-cost-averaging" principle.

Table 51 - asks about Monthly Investment Plan.

There is a positive trend indicated in the answers to the majority of the questions asked although in some cases there was only a slight upward movement. The principal exceptions noted were in Tables 35 and 40b while Table 41 gave no definite movement in either direction. The overall impression gained was that one's general financial knowledge did increase with rank, although in varying degrees.

Does sophistication of investment improve with rank?

The more sophisticated investor might be expected to invest more in common stocks and mutual funds instead of, for example, U. S. Government Series E bonds. Sufficient capital and earning power are somewhat of a necessity and it is here that the higher ranks could possibly have the advantage. The following tables were referred to in determining the answer to this question:

Table 44 - pertains to saving for long term needs such as education of children and retirement income.

Table 46 - questions types of investments or savings.

Table 50 - asks about "dollar-cost-averaging" principle.

Table 51 - concerns "shopping" around for certain Savings and Loan Associations.

Overall indications were that sophistication of investment generally improved with rank, although Table 44 showed no definite trend.

Does overall estate planning improve with rank and marital status?

As previously discussed there was a strong upward trend in amounts of insurance carried by higher ranking officers. This trend in the higher ranks was no doubt influenced by the fact that nearly 100 percent of the Lieutenant Commanders, Commanders and Captains were married (Table 1) and this influence was no doubt felt further in the overall area of estate planning. The following tables were referred to in determining the answer to this question:

Table 33 - determines number having wills.

Table 34 - questions the validity of wills.

Table 35 - questions familiarity with laws of state with regard to dying intestate.

Table 36 - pertains to review of wills.

Table 37 - determines number having taken steps to plan estate.

Table 38 - determines number having sought professional advice regarding proper estate planning.

The higher ranks seemed aware of the need for an up-to-date valid will while no clear trend for the officers was indicated with regard to frequent review of the will. There did seem to be a definite improvement or trend with wives of higher ranking officers where review of wills was concerned.

The general impression was that overall estate planning does improve with rank and marital status although professional advice seemed to have been sought more by officers of lower rank.

CHAPTER III

DISCUSSION AND THRESHER COMPARISON

Results contained in Chapter II cover a much broader area than the limited data available on THRESHER officers and should give the reader some general indication of the present status of "personal affairs" among a random cross-section of submarine officers. It cannot be stressed too strongly that the financial background of the individual, his wife or their parents may greatly influence his need for insurance, various types of investments or possibly consumer credit. For that reason, it may be misleading to assume, for example, that the married Lieutenant (Junior Grade) with over 5 dependents is not adequately insured with $10,000 insurance (Table 20). He or his wife could well be heir to a sizeable fortune and feel no need for insurance. For the average submarine officer, however, this may not be the case. In the opinion of the author, this requirement for proper estate planning should be present, however, regardless of one's background.

Comparison of THRESHER officers will be made where appropriate with officers of comparable ranks within the group surveyed, namely, Lieutenant (Junior Grade), Lieutenant (Senior Grade) and Lieutenant Commanders. Comparison and discussions will follow the general format of the questionnaire (Appendix I).

General

Marital Status:

THRESHER

	N	Single	Married
LCDR	7		100.0
LT	3		100.0
LTJG	6	50.0	50.0
Total	16	18.7	81.3

Subjects

	N	Single	Married	Separate	Widowed
LCDR	51		98.0		2.0
LT	112	17.0	82.0	1.0	
LTJG	52	19.3	80.7	—	—
Total	215	13.5	85.5	0.5	0.5

It is noted that the percentage of married officers overall of each group are relatively the same, however, there are sizeable differences in the lower two ranks.

Age:

THRESHER

	N	20-25	26-30	31-35	36-40
LCDR	7			71.5	28.5
LT	3			100.0	
LTJG	6	66.7	33.3	—	—
Total	16	25.0	12.5	50.0	12.5

Average age: 30.5 years

Subjects

	N	20-25	26-30	31-35	36-40	41-45
LCDR	51			78.5	21.5	
LT	112	8.0	69.5	17.9	3.6	1.0
LTJG	52	77.0	7.7	13.5	1.8	—
Total	215	22.8	38.2	30.2	7.4	0.4

Average age: 29.9 years

There is little difference in the average ages although there are some sharp variations within the various age brackets for each rank.

Number of dependents:

THRESHER

	N	0	1	2	3	4	5	Over 5
LCDR	7				28.6	42.8		28.6
LT	3				33.3	33.3	33.4	
LTJG	6	50.0	33.3	16.7				
Total	16	18.8	12.5	6.2	18.8	25.0	6.2	12.5

Total number of dependents: 46. Average per officer: 2.85.

Subjects

	N	0	1	2	3	4	5	Over 5
LCDR	51		7.8	9.8	25.6	29.4	17.6	9.8
LT	112	16.1	10.7	20.5	37.5	12.5	2.7	
LTJG	52	17.3	28.8	27.0	7.7	9.6	7.7	1.9
Total	215	12.6	14.4	19.5	27.5	15.8	7.4	2.8

Total number of dependents: 538. Average per officer: 2.5.

Very little difference is noted between the average number of dependents per officer in the two groups, less than 0.5.

Education:

THRESHER

	N	High School	Bachelor's Degree	Graduate Credit	Master's Degree	Doctor's Degree
LCDR	7		57.1	*	28.6	14.3
LT	3	33.3	33.3	*	33.4	
LTJG	6		100.0			
Total	16	6.3	68.6		18.8	6.3

*Information regarding graduate credit was not available.

Subjects

	N	High School	Bachelor's Degree	Graduate Credit	Master's Degree	Doctor's Degree
LCDR	51	3.9	82.8	31.4	1.9	
LT	112	5.3	80.3	10.7	2.7	1.0
LTJG	52	11.5	78.8	9.7	—	—
Total	215	6.5	76.0	15.3	1.8	0.4

The percentage of high school graduates in each group was nearly the same. If it was assumed that all officers having graduate credit also had a bachelor's degree then the "subject" group greatly differed from THRESHER; while the THRESHER group far exceeded the "subject" group in Master's and Doctor's degrees. An explanation for this latter difference is that 25% of the officers on board THRESHER at that time were technical specialists attached to other commands and were on board for sea trials. These officers held advanced degrees (3 Master's and 1 Doctorate). Notwithstanding this fact, the educational backgrounds of the two groups were basically the same.

In summary, the backgrounds of the THRESHER officers and those officers participating in this survey appear to be very similar in most instances and well suited for the purposes of this study.

Insurance

Due to the lack of specific information with regard to amounts of insurance carried by individual THRESHER officers only a general comparison of insurance coverage can be made. As indicated by the survey of THRESHER dependents, insurance coverage ranged from $0.00 to $45,000 with the average being $23,700. Again, considering only those officers of comparable ranks the insurance coverage ranged from $10,000 to $100,000 with the average being $42,200 (Tables 18, 19 and 20). The insurance coverage range for all officers participating in the survey went from $10,000 to $115,000 with the average being $43,700 (Tables 16-21).

Of interest in the above comparisons is the low amount of $10,000 in the "subject" group and the low amount of $0.00 for the THRESHER group. A possible answer might be that the THRESHER officers did not have the opportunity to procure the Armed Forces Indemnity Insurance that became available in September 1965.

Commonly called Servicemen's Group Life, this group term insurance is available to all members of the Armed Forces in amounts to $10,000 at a maximum monthly premium of $2.00. With this low cost it could be reasonable to assume that all personnel would avail themselves of this inexpensive insurance thereby raising the THRESHER figures to a low of $10,000 and a high of $55,000 with the average being $33,700. A detailed study of the insurance breakdown of the officers surveyed indicated that not all officers carried a combined total of $10,000 in the group and term categories. If the responses were correct, as assumed, then all of the eligible officers surveyed were not carrying the maximum amount of this "bargain" insurance. In any event there has been a definite increase in the average amounts of insurance carried by the present day submarine officer ($42,200) when related to a comparable THRESHER group, even if $10,000 is added to the THRESHER average of $23,700.

A comparison of suggested minimum life insurance as advocated by Navy Mutual Aid Association with officers of comparable rank and dependency status revealed that the recommended amounts were equalled or exceeded in most instances (Tables 16-21).

Over 31% of the officers considered the cash value of permanent plan insurance to be similar to cash saving (Table 25). These would appear to be strange savings in that one cannot use the money without surrendering the insurance or paying interest at a rate as set by the insurance company.

A disproportionate number of officers of all ranks paid insurance premiums monthly or by allotment even though they professed awareness of the discount given for paying premiums on other than a monthly basis (Tables 26 and 27). As a matter of general interest the basic premium rates of life insurance companies are figured on the basis of annual payments at the beginning of each policy year. When premiums are paid oftener than on an annual basis, the policyholder is charged

interest on the unpaid portion of the premium for the length of time it is unpaid. The rate of interest varies from 8 to 15 percent among the different companies. The following shows the rates charged by a leading mutual company on a $5,000 straight life policy taken out at the age of 25.

Premium Basis	Total Annual Premium	Excess over Annual Basis
Annually	$104.35	--
Semiannually	107.50	$3.15
Quarterly	109.60	5.25
Monthly	110.40	6.05

The above figures suggest paying premiums on an annual basis, if at all possible.[2]

As mentioned in the Introduction, one of the recommendations voiced by the THRESHER widows was that all officers should carry Navy Mutual Aid and Armed Forces Relief and Benefit Association Insurance. A relatively small percentage of the THRESHER officers did carry one or the other (Table 6) and the following is a comparison of those figures with the results of the recent survey (Table 23).

Navy Mutual Aid

	THRESHER	Subjects
LCDR	57.2	50.8
LT	33.3	52.0
LTJG	50.0	19.2
Total	50.0	49.3

Armed Forces Relief and Benefit

	THRESHER	Subjects
LCDR	42.8	47.0
LT	33.3	27.7
LTJG	----	7.7
Total	25.0	27.5

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[2]Elvin F. Donaldson and John K. Pfahl, Personal Finance, 3rd ed; New York: The Ronald Press Co., 1961), p. 241.

A comparison of the figures indicates an overall decrease in Navy Mutual Aid policyholders since 1963 and very little change for Armed Forces Relief and Benefit although the percentages in the various ranks seem to vary to a greater extent. Although these two associations were singled out because of the comments by THRESHELL widows, it must be noted that there are other non-profit, non-commercial associations offering group/term policies at comparable rates (i.e. Uniformed Services Benefit Association and Military Benefit Association).

There does seem to be a great improvement in the life insurance programs of present day submariners as evidenced by the data. In addition, 86.9% of the officers considered their life insurance coverage adequate in their present status (Table 32).

Estate Planning

Estate planning has been described by one authoritative reference as:

> ...the use and arrangement of property for and among members of a family group under a planned design affording the greatest enjoyment to the whole group commensurate with sufficient conservation.[3]

Another writer describes it with this definition:

> It is the planning of a person so that his property and earnings will do him the most good while he lives and his family the most good after he is gone.[4]

The implication is there of a balance between present and future requirements or enjoyments and this balance depends largely on family objectives and resources. Once this balance has been determined then a plan can be developed which will coordinate and integrate the resources available to assure the most effective realization of both current and future objectives. Provision should be made for

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[3] Mayo Adams Shattuck and James F. Farr, An Estate Planner's Handbook (Boston: Little, Brown and Company, 1953), p.3.

[4] W. S. McClanahan, Estate Planning for Physicians (Chicago: American Medical Association, 1952), p.9.

premature death, disability and retirement. Education of children as well as emergencies are other factors to consider. And, lastly, are the actual needs of a widow with a number of children to feed, clothe and educate.

There are many questions to be asked regarding estate planning and the answers to the question will vary for each individual, depending on his objectives and circumstances. Complexity in taxation has increased, there are more and different types and combinations of insurance policies being offered, and investment facts are hidden in the complexity of big business and finance. Thus, the need for professional assistance in this important effort becomes more and more obvious. Some 70% or 165 of the officers surveyed indicated that they had taken steps toward estate planning while 62.5% of the 165 had sought professional advice (Tables 37 and 38).

Perhaps the heart of estate planning is the will, for this document, in many instances, is the means by which one passes on his estate according to his desires and with the minimum difficulty and expense to his survivors. "A will may be defined as a legal declaration of the disposition to be made of one's property after death."[5] Several of the objectives that can be accomplished through a will are:

1. An executor can be named to manage and settle the estate -- without the expense of a bond.

2. Subject to the rights of a surviving parent, a person can be named to act as guardian of minor children.

3. Trusts can be created for the wife, children, or other heirs which give them the benefit and use of the property while protecting them against loss and dissipation which might result from their inexperience or weakness of character.

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[5]William J. Grange et al., Wills, Executors, and Trustees (2d ed. rev.; New York: The Ronald Press Company, 1950), p. 32.

4. Within limitations, the purposes for which property is used can be controlled to protect beneficiaries against unforeseen circumstances.

5. Arrangement can be made for experienced management and investment counsel for the estate.

6. Through integration of the will with the total insurance, investment, and savings program, taxes can be reduced and the costs of transferring property to the surviving family can be substantially lowered.[6]

The following is a comparison of the status of "subject" officers and THRESHER officers with regard to wills: (Tables 33 and 34)

	Subjects	THRESHER
Officers having wills	82.1	55.0
Officers having valid wills	77.2	44.0

The above results indicate a marked improvement since 1963 but in view of the great importance of this document nothing less than 100% should be considered as satisfactory. Of additional interest was the fact that only 28.8% of the subjects' wives had wills. Of this percentage 79.0% considered the wills valid.

Probably all officers are aware to some extent of the benefits to be derived from a valid, up-to-date will even though the tendency to put off making one is still prevalent. Only 31.8% of the subjects (Table 35), however, were familiar with the laws of their state of residence with regard to dying intestate (without leaving a valid will). Briefly, if a person dies intestate:

> It means he's lost the right to distribute his property the way he wants to, in the way it will do his family the most good. Instead, it will be parceled out by legal formula.
>
> In some states the widow will get half, for instance, and the children will share the remainder. Even if the

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[6]Philip J. Goldberg, Estate Planning ("Legal Almanac Series" No. 50; New York: Oceana Publications, Inc., 1960), p. 90.

wife's half isn't enough to raise the children, she may not be allowed to touch the children's portion without going through much red tape and expense. Furthermore, she'll receive her inheritance in a lump sum. If she lacks experience in money matters, she could lose most of it in short order.

In some states a widow with no children might get only part of her husband's estate, his parents the remainder.

The point is, the estate is distributed according to the letter of the law, not according to individual circumstances or desires.

Dying without a will is also likely to be more expensive: a bond must be posted by the administrator (even by the widow, if she is appointed). Various tax-saving opportunities are lost. Assets may have to be sold, willy-nilly, at a loss. And, so on.

Even if a person leaves a will, the courts can reject it and declare him intestate. Perhaps the will is old, perhaps it is ambiguous (a special risk with do-it-yourself wills), perhaps it is faulty through legal technicalities. Any or all of these factors can make it wholly or partly invalid.

There are two morals to be drawn from this:

Keep your will up-to-date. It is a vital document, perhaps the most important the average person ever signs.

Curb the urge to do it yourself. It can be done, sure, and sometimes it works. Most often it doesn't. Why gamble with your family's future when, for the $25 to $50 you'll pay to have a simple will properly drawn, you can play safe with their money and happiness.[7]

The needs for keeping a will up-to-date are quite clear. Major reasons for review and updating of the will would be changes in dependency, in domicile, in estate plans or in the overall objectives. Over 78% of the officers and 70% of the wives having wills had reviewed them recently (Table 36).

Results of the survey questions indicated a general lack of knowledge in the area of estate taxes (Tables 38, 39 and 40). The estate of every deceased person

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[7] "What happens to your will...if something happens to you," Changing Times, March, 1966, p. 35.

is allowed an exemption of $60,000 and as a result an estate of $60,000 is not subject to Federal estate taxes. For the married person the tax on the estate can be greatly reduced or eliminated by the marital deduction. The law allows one-half the value of the adjusted gross estate to pass to the surviving spouse tax free. To qualify, however, the property must be given to the spouse outright or by other legal arrangements that are equivalent to outright ownership in law. Property given to the spouse for use during her lifetime and then to be passed on to someone else is not considered to have been given outright.[8]

Furthermore, only a small percent of all ranks considered proceeds from life insurance and Retired Serviceman's Family Protection Plan as part of one's estate for Federal estate tax purposes (Table 40). Life insurance proceeds payable on death of the insured are included within his estate unless it is payable to some beneficiary other than the estate and the insured had no incidents of ownership in the policy (right to cash it in, borrow on it, change beneficiaries, etc). If the officer has retired, the value of benefits under the Retired Serviceman's Family Protection Plan is also included for Federal estate tax purposes. The value of benefits under this plan is determined by the age of the recipient at the time of the death of the member and the amount the recipient or beneficiary receives. "Present Worth" tables are used to determine the estate tax factor, and that factor multiplied by the annual amount to be received gives the value of the annuity which must be included in the deceased member's gross estate for estate tax purposes.[9] Such was the case at the time of sending out the questionnaires.

In March, 1966, the President of the United State signed into law (P.L.89-365) legislation designed to grant relief to servicemen covered under the Retired

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[8]J. K. Lasser, Your Income Tax (New York: Simon and Schuster, 1965), p. 228.

[9]Jerry R. Siefert, Death Taxes and Estate Planning, U. S. Department of the Navy, JAG Journal (Washington, D. C.: September 1962), p. 208.

Serviceman's Family Protection Plan. This law provides that no income tax will be paid by retirees on the amount of money withheld to pay for an annuity for widows and children although the survivor will have to pay the tax at a later date. Secondly, servicemen who have already paid income tax on the withheld money will be able to get it back by offsetting it against future tax liability. Thirdly, when a disabled serviceman dies before reaching normal retirement age, his widow will be able to exclude $5,000 in survivors benefits from her income tax return. And, lastly, widows who collect an annuity will no longer have to pay a Federal estate tax on the value of the annuity.[10]

Only a few of the officers surveyed were familiar with the Uniform Gifts to Minors Act presently adopted by 47 states and the District of Columbia or the Model Gift Laws as it is known in Alaska, Georgia and New Jersey (Table 41). This Act or law makes it possible in any state to make gifts to minors without formal trust or guardianship complications. The gifts made are irrevocable and the income received from securities or investments given under the Uniform Act is taxable to the minor-owner currently, not to the donor or custodian, unless the income is used to relieve a legal obligation of the parent. The income need not be distributed but may be accumulated for the child until age 21 or expended in those areas where it is not the parent's obligation to provide.[11] Of particular interest would be the use of such funds for the child's college education. The following is in clarification of this point:

> ...in the area of higher education, it is safe to saythat the parent's obligation to provide support for education would end, in every state, prior to the college level...

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[10] Navy Times, March 23, 1966, p. 1.

[11] Siefert, op. cit., p. 213.

> The amount of trust income used in paying the tuitional cost of a college education for the child would not be taxable to the parent because the payments do not discharge any legal obligation imposed upon the parents by local law. However, the parent would be chargeable with the portion of trust income used in paying the child's room and board at college, since these payments would be in discharge of his legal obligation to provide support.[12]

The use of such a device as the Uniform Act has its obvious tax advantages both with regard to tax on income and on estate. There is little advantage until the donor is out of debt himself. Of interest was the fact that over half of those officers knowedgeable of the Uniform Act had also considered it as a means of establishing an education fund for their children (Table 42).

Savings/Investments

As mentioned in the previous discussion of estate planning, savings and investments are integral parts of the overall plan. In addition to the longer range outlook there is the ever present need for a contingency fund for use during unforeseen emergencies such as illness or death in the family or any number of situations. It has been recommended by one authority on the subject of personal finance that a serviceman with a family should accumulate an amount of money equal to one month's basic pay to cover dislocation costs or in order to be financially prepared for unforeseen, but almost inevitable, emergencies.[13] The response to this particular question in the survey indicated that 70% of the officers had accumulated the necessary amount and 16% had almost reached the goal (Table 43).

Over 91% of the officers surveyed were saving to some extent for long term needs such as education of children and retirement income and nearly 80% of this

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[12]Siefert, op. cit., p. 213.

[13]Associates in the Social Sciences, Dept. of Social Sciences, U. S. Military Academy, West Point, N. Y., Principles of Personal Finance for Service Personnel (Harrisburg, Pa.: The Stackpole Company, 1959), pp. 117-119.

group was doing so on a systematic basis (Tables 44 and 45). The answers received in the previous question regarding contingency funds indicated 70% had and 16% had almost accumulated the desired amount, for a total of 86%. A portion of the 91% indicating that they were saving for education of children or retirement funds must have considered the contingency fund as part of this long range savings program. No doubt a third motive for saving would be to provide an estate for dependents after death. The hoarding of cash is not the practical way to save; therefore, the obvious answer is some type of investment that will grow or earn a return. Present day interest rates paid by Series E government bonds, credit unions, bank savings, and savings and loan associations are in excess of 4% and some as high as 5%. Money so invested in the above savings institutions are differentiated from other investments by their relative safety and liquidity and by the fact that they are under some type of state or Federal control. Investments in these institutions do not provide a hedge against the changing purchasing power of the dollar, as they provide for the return of a fixed number of dollars of principal regardless of the value of the dollar.[14] A relatively small percentage of the officers had savings in the above institutions (Table 46).

While safety and liquidity might be the primary consideration for short term programs, a program for the distant future should be built around investments that provide for maintenance of purchasing power and increased rate of return. Other criteria might be diversification, flexibility, supervision or marketability. For the prudent investor, stocks of publicly held companies or corporations offer an attractive medium to obtain this goal. And for the average submarine officer who spends much of his time at sea and is unable to follow the market, a planned program of periodic investment or "dollar-cost-averaging" is an investment

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[14]Donaldson and Pfahl, op. cit., pp. 171-174.

method designed to eliminate not only timing of security purchases but also most other factors from consideration by the investor. This requires that a predetermined specific amount be invested periodically in a selected security or small group of securities and that these periodic purchases be continued over a prolonged period of time. Investment intervals are usually monthly or quarterly but can be set up to suit the investor.

The theoretical advantages to "dollar-cost-averaging" is that more shares can be purchased for the same amount during periods when the market is depressed and few shares will be purchased when the market is high. Over the long term the investor is assured of a low average cost per share.

Some objections to this program are the inflexibility of it since during periods of prosperity the amount invested should not increase; the program must continue uninterrupted for a long period of at least a major business cycle and the commission rates for small purchases are much higher than for larger ones. For example, the commission for a $50 purchase is $3 or 6% and for a $300 purchase it is $6 or 2%. This problem can be avoided by lengthening the interval between purchases thereby accumulating larger sums.

The New York Stock Exchange's Monthly Investment Plan and open-end mutual funds investment programs operate on the principle of "dollar-cost-averaging".[15]

Less than one-half of officers surveyed indicated a knowledge or familiarity with the principle of "dollar-cost-averaging" or the Monthly Investment Plan (Tables 50 and 51) even though, in the opinion of the author, for a group whose income and living conditions should have a high degree of stability, this type of program would be well-suited.

The question pertaining to Savings and Loan Association showed a high degree

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[15]C. Russell Doane and E. C. Harwood, How to Invest Wisely (Great Barrington, Mass.: American Institute for Economic Research, 1956), pp. 110-11.

of interest in safety and guarantee by the United States Government. Of least interest, strangely enough, was an Association which paid interest to date of withdrawal therefore insuring no loss of income because of unscheduled requirements (Table 52).

There appears to be a strong tendency on the part of the officers questioned to rent private houses or occupy public quarters/housing instead of buying their own home (Tables 53, 54 and 55). A large percentage of those owning consider this as a form of investment at present, although they do not necessarily try to buy whenever possible at each duty station. The advantage and disadvantages of owning vary with the individual depending on size of family, length of tour, and other factors.

Consumer Credit

A study of the responses to questions on consumer credit would imply that the submarine officers surveyed showed a strong tendency to be conservative with regard to credit. For example, over 65% of the officers seldom or never used revolving credit plans (Table 56). Although about 65% purchased large items such as automobiles and major appliances on time, about 85% (of 153) "shopped" around for the cheapest money and did not finance through the seller at his rates (Tables 59-62). Only in the case of those officers using the revolving credit plan did the trend swing from conservatism (Table 57) and this was because the plan was used for convenience sake and the payments were considered reasonable.

Revolving credit in its simplest version combines the convenience of a 30-day charge account with the special advantage of instalment buying. The customer has an outside limit on what he can charge and these limits are determined by his monthly payments. Anytime the balance falls below the outside limit new goods could be bought on credit until the maximum was reached again. More sophisticated versions of this basic plan are available in many stores. The going charge for

most revolving credit accounts (some revolving accounts charge no interest if paid up in 3 or 4 months) is 1.5% per month on the unpaid balance or 18% a year. This plan may be convenient but is it reasonable?[16]

Over 73% of the subjects stated that they knew what true annual interest rate was charged when using "charge" or "easy-credit" plans (Table 58). An interesting research project was undertaken by F. Thomas Juster and Robert P. Shay of the National Bureau of Economic Research to determine if the consumer was aware of the annual interest rate paid for various types instalment purchases.

A large group of families were surveyed to obtain detailed figures on recent instalment loans. These included the price of the item bought, the cash down payment, size and number of monthly payments and the like. They were also asked to state the interest rate they had paid. The research team computed the annual interest rate for each transaction and compared their results with the borrower's estimate. Estimates plus or minus 2% of the correct figure were counted as correct. Only 18% of the replies were! For "add-on" or "discount" rates the estimates of these rates were accepted as correct even though in reality the annual interest rate on these loans is about double the quoted rate. A 6% "add-on" mounts up to approximately 12% annual interest. An estimate of 6% was counted correct but still only 18% of the replies were correct.

The group of 840 families supplied estimates which averaged 8.3% while the economists calculated that they had actually paid 23.2%. The following formula gives a nearly precise answer to annual interest rates:

$$R = \frac{2ML}{P(N + 1)}$$

R - the annual interest rate.
M - the number of payment periods in a year.
L - the finance cost in dollars. In the case of a credit purchase, subtract the cash price of the merchandise from the total you pay - down payment plus all payments.
P - the amount of credit advanced.
N - number of instalments.

16"All about credit", Changing Times, Vol. 17, No. 3(1963), pp. 35-38.

17"Do you know what you pay for credit?" Changing Times, Vol 18, No 10(1964) pp. 17-18.

Consumer credit has been the subject of many discussions in recent years both at the state and national level. At the state level there have been a series of legislative efforts to make "credit charge", "service charge", "carrying charge" or the proper name, "interest costs" subject to regulation. Thus far, several states have passed controlling laws, New York being one, but this is not too widespread.[18]

The Department of Defense recognized the need for controls in this area and issued on September 29, 1965 Department of Defense Directive Number 1344.7, subject: "Personal Commercial Affairs".

> The purpose of this Directive is to prescribe uniform Defense policy governing personal commercial transactions and related matters involving members of the Armed Forces: to safeguard and promote the welfare and interests of such personnel as consumers; and to observe the policies stated in reference (a) with special emphasis to be given to the serviceman in his "...rights to safety...to be informed...to choose (and) to be heard..."

The indicated reference was:

> (a) Message of the President to the Congress, February 5, 1964 (H.R. Doc. 220, 88th Cong., 2nd Sess.), "The American Consumer"

The age-old doctrine of "let the buyer beware" is still in effect in the commercial world but on Department of Defense installations, at least, this may be changed to "let the seller make full disclosure".

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[18] Loc. cit., Vol. 17, No. 3.

CHAPTER IV

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In the Introduction chapter the purpose of this thesis was defined as a study to determine, to what extent, a randomly selected group of submarine officers' personal affairs were in order. The results of this study were to be compared with the limited data available from the THRESHER survey in hopes of determining what improvement, if any, had been made in this area since 1963. An across-the-board comparison could not be made in all areas surveyed due to the lack of specific data on the THRESHER officers or other comparable groups of that time.

The THRESHER sample in the ranks of Lieutenant (Junior Grade) - Lieutenant Commander was not sufficiently large to constitute a valid sample from a statistical standpoint of the submarine officer population in 1963. Fortunately, the backgrounds of the THRESHER officers compared favorably with those of the officers surveyed in the comparable ranks. The author doubts, for that matter, if a larger sample would have shown any major differences in age and education since the selection system for submarine training has varied little in the past few years. There was only a small difference in the marital status and dependency categories, these being outside the control of the Navy.

The discussions and comparison in Chapter III were based purely on the numerical results as shown in Chapter II and with as little interjection of personal opinion as possible. Expert opinion, on the other hand, was utilized when needed to clarify points or to elaborate upon certain areas of interest. Since this

study has been divided into major categories, conclusions will be drawn where possible along these same lines, with emphasis being place on insurance, estate planning and savings/investments.

General

The backgrounds of THRESHER officers were basically the same as for subject officers of comparable rank as well as for the overall group.

Insurance

1. The average amounts of insurance carried by subject officers of comparable rank exceeded that of THRESHER officers by nearly $18,500. The overall average exceeded the THRESHER average by about $20,000. Some $10,000 of the above figures may be attributed to the Servicemen's Group Insurance which became effective in September 1965. There has been a large percent increase in the amount of insurance carried by submarine officers during the past 32 months.

2. In most instances the recommended minimum life insurance for officers in each rank with specified number of dependents, as advocated by Navy Mutual Aid, was either equalled or exceeded.

3. Nearly 100% of the officers indicated that beneficiaries for insurance were named in accordance with their current desires.

4. Many officers considered the cash value of permanent plan insurance to be similar to cash savings (assuming policy is not surrendered) possibly without giving thought to the fact that to use the cash value interest must be paid to the insurance company.

5. A majority of the officers realized that discounts were given for paying insurance premiums on an other than monthly basis. Yet only 17.4%, for example, pay premiums on an annual basis. Perhaps the convenience of the allotment outweighed the tax-free savings of the discount.

6. There was an overall decrease in the number of subject officers carrying Navy Mutual Aid insurance as compared with THRESHER officers while there was

very little difference in the numbers carrying Armed Forces Relief and Benefit insurance. Both organizations are non-profit, non-commercial Associations formed to provide military personnel with cheap, reliable insurance and should be among the first insurance taken out by a naval officer. Other non-profit, non-commercial term insurance is available through Uniformed Services Benefit Association and Military Benefit Association at comparable rates.

7. A large majority of the officers, based on their present status, considered their insurance coverage adequate.

Estate Planning

1. There was a marked increase in the number of subject officers having wills as compared with THRESHER officers, although anything less than total participation should be considered unsatisfactory. About one-fourth of the officers' wives had wills. Not all officers or wives having wills considered the wills to be valid, and admitted it. Quite possibly other of the wills were invalid without the maker of the will being aware of it. A relatively small proportion of subject officers were familiar with the laws of their state of residence with regard to dying intestate (without leaving a will).

2. About three-fourths of the subject officers and their wives having wills had reviewed these wills recently. This should be done, if possible, about every two years.

3. Although 70% of the officers surveyed had taken steps to plan their estates and 62.5% had sought professional advice on this matter there appeared to be a general lack of knowledge in the area of estate taxes. Only 26.3% of the officers knew at what value one's estate becomes subject to estate taxes while a relative few knew that life insurance proceeds, as well as Retired Serviceman's Family Protection Plan proceeds, were part of one's estate for Federal estate tax purposes.

4. Those officers familiar with the Uniform Gifts to Minors Act were in the great minority although about one-half of that number had considered using this Uniform Act as a means of establishing an educational fund for their children.

Savings/Investments

1. A large majority of the officers had or had almost accumulated a contingency fund equal to one month's base pay in order to be financially prepared for unforeseen emergencies.

2. Over half of the officers were saving for long term needs such as education of children and for their retirement income. Nearly 80% of this group saved on a systematic schedule.

3. No definite trend was noted in the saving habits of the officers, with regard to types of savings or investments.

4. Those investing in Series E bonds did so for safety reasons; appreciation and hedge against inflation was the primary reason for investing in common stocks while professional management and diversification were paramount for the mutual fund purchasers.

5. Less than one-half of the officers were familiar with the principle of "dollar-cost-averaging" and the Monthly Investment Plan offered by member firms of the New York Stock Exchange.

6. For those officers investing in Savings and Loan Associations return, coupled with a guarantee by the United States Government, were uppermost in their minds.

7. Of the married officers 37.8% owned their present home yet nearly three-fourths of the entire group considered owning a home as a form of investment. Of the latter group less than one-third normally bought a home at duty stations wherever possible.

Consumer Credit

1. Although over 65% of the officers indicated that they seldom or never used the revolving credit plan those that did make use of this plan did so because they thought the payments were reasonable and it was convenient. There is some question in the author's mind regarding the interest rate of 18% as being reasonable.

2. The question "do you know what true annual interest rate is charged when you use 'charge' or 'easy-credit' plans" received a response of 73.3% for "yes" and 11.5% for "sometimes". The author must, of course, take the answers at face value since sufficient evidence to the contrary is lacking.

3. A large majority of the officers purchased items such as automobiles, major appliances or boats on time payments and the greater percentage of these paid close attention to financing in order to obtain best interest rates etc.

4. Only 3.3% of the officers failed to read the fine print of purchase contracts to insure that they were aware of their obligations under that contract.

Recommendations

It has not been the intention of the author, in this thesis, to suggest the amount of insurance an officer should carry or how he should plan his estate, invest his money or spend his money. It is hoped that in addition to presenting the results of the survey, an added result of this effort would be to stimulate the reader into delving further into certain of these areas where his planning is weak and to do something about it. It is most important that every officer take some action to initiate, and continually review, a planned financial program for himself and his family. This is the way to pave the "road to financial independence" and family security with concrete action rather than with the "rubble of good intentions" and the "soft shoulders of procrastination".

"Personal affairs" are just what the name implies and the responsibility for proper maintenance of these affairs rests solely on the individual concerned. This is not to say that one should not seek counsel or guidance from his superiors but just the opposite. Most problems are not new ones and much can be gained from the experiences of others.

In view of the very nature of "personal affairs" it is doubtful whether a serviceman could be directed to carry a prescribed minimum amount of insurance, make a will or save in accordance with a prescribed schedule. Enforcing such a directive would be impossible. There are, in the opinion of the author, certain things that could be done to assist those not inclined in this direction. Most of the recommendations would require some action at the command or higher level. Recommendations are as follows:

1. Command interest (suasion) in the form of individual or group discussions might be just the thing needed to overcome inertia. Topics could be the major headings of the questionnaire contained in Appendix I. Source material might be any number of excellent books and periodicals available on these subjects. For example:

> How to Invest, by Merrill Lynch, Pierce, Fenner & Smith, 70 Pine Street, New York, N. Y., Free
>
> How to Buy Stocks, by Louis Engel, Bantam Books, $.35
>
> Principles of Personal Finance, by Associates in the Social Sciences, United States Military Academy, The Stackpole Company, Harrisburg, Pennsylvania, $2.00
>
> How to Avoid Financial Tangles, by The American Institute for Economic Research, Great Barrington, Mass., $1.00
>
> Life Insurance and Annuities from the Buyer's Point of View, by The American Institute for Economic Research, Great Barrington, Mass., $1.00

2. Request the Office of the Judge Advocate General to distribute to each command a pamphlet containing a simple sample will for each of the 50 states and the District of Columbia with necessary instructions for executing the wills. This publication could be of value to units not having ready access to the legal assistance office.

3. Organize a legal/estate planning team on each naval base to visit ships, as requested by the Commanding Officer, for the purpose of briefing members of the ship's company on such subjects as wills, trusts, or estate matters.

4. The individual should be made to realize that estate planning is not a "do-it-yourself" activity. It is much too complex for the average person to perform competently or adequately. Whether it be in insurance, wills, investments, etc., the individual should seek, wherever possible, the advice and assistance of professionals in those fields.

In conclusion:

> The road to financial "independence"...is all too often paved with the rubble of good intentions and bordered by the soft shoulders of procrastination. The failure of so many people to plan constructively for their own and their families' future is an all too common tragedy. It is especially tragic today when simple and effective methods of estate building are widely available.[1]

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[1]Arthur Wiesenberger, Investment Companies (17th ann. ed.; New York: Arthur Wiesenberger & Company, 1957), p. 51.

APPENDIX I

TO: Submarine Officers

The loss of THRESHER revealed a weakness on the part of its personnel in the area of personal affairs. As part of my studies in the Navy Graduate Financial Management Program, The George Washington University, Washington, D. C., I am exploring this area in an effort to determine how efficiently we, as submariners, manage our personal affairs.

Enclosed is a questionnaire which is the core of this study. Each officer receiving a questionnaire has been picked on an impartial and random basis, but as part of a definite sample size. Therefore, return of the questionnaire is of utmost importance for meaningful and valid study.

Your participation is completely anonymous. There is no way to determine your identity from the answers provided, and no attempt will be made to do so. Responses will be treated only in statistical descriptions and comparisons.

If you would like to have a brief summary of the results of the study when available, please indicate. In so doing, if you wish to remain anonymous, simply send your request on a separately mailed postcard.

A self-addressed envelope is enclosed for your use. The value of this study will be greatly increased if respondents provide:

1. a candid answer to every question;

2. as prompt completion as possible for, as usual, there exists, as usual, definite deadlines to meet.

Therefore, your prompt and honest appraisal of yourselves would be greatly appreciated; and I hope, beneficial to all of us.

Very respectfully,

/s/ Daniel L. Bailey
/t/ Daniel L. Bailey
Commander, U.S. N.

Personal Financial Management Questionnaire
for Submarine Officers

You are requested to answer the following questions, checking or entering the most appropriate answer.

I. General.

1. Rank: CAPT___ CDR___ LCDR___ LT___ LTJG___ ENS___

2. Marital Status: Single___ Married___ Separated___ Divorced___ Widowed___

3. Age: 20-25___ 26-30___ 31-35___ 36-40___ 41-45___ 46-50___

4. Number of dependents: 0___ 1___ 2___ 3___ 4___ 5___ over 5___

5. Education: High school graduate___ Bachelor's degree___ Some graduate credit but no graduate degree___ Master's degree___ Doctor's degree___

6. Do you have an up-to-date document in custody of a competent person, in a safety deposit box, or the like, that lists where your important papers such as will, stocks, insurance etc. can be found? Yes___ No___

7. In event of your sudden death does your wife or some other person have knowledge of your personal financial affairs? Yes___ No___

8. Is your wife presently (or periodically) employed? Yes___ No___

9. If answer to question 8 is yes, does she work:

a. In order to pay family debts? ___
b. In order to purchase luxury items not presently within your budget? ___
c. Because she has spare time and wants to be occupied? ___

II. Insurance.

1. Total amount of insurance on your life is $_____.
a. In group insurance $_____.
b. In term insurance $_____.
c. In ordinary life insurance $_____.
d. In limited payment life insurance $_____.

2. Have you designated beneficiaries for above insurance in accordance with your current desires? Yes___ No___

3. Many differences exist between term and permanent type insurance. Do you consider yourself fairly knowledgeable with regard to advantages and

disadvantages of each type?
Yes___ No___ Partially___

a. Do you use permanent plan insurance as a means for "forced savings"? Yes___ No___

b. For financial planning purposes, do you consider the cash value of your permanent plan insurance to be similar to cash savings (assuming policy is not surrendered)? Yes___ No___ Not sure___

c. How do you pay insurance premiums? Check as many as are applicable:

___ Monthly or by allotment
___ Quarterly
___ Semi-annually
___ Annually

d. Are you aware that certain insurance companies give a discount for paying premiums on a quarterly, semi-annual or annual basis?
Yes___ No___

4. Have you reviewed the settlement options of each policy recently to insure that with change in age of dependents, or for other reasons, the methods of payment to beneficiaries reflect your desires at this time? Yes___ No___

5. Do you have insurance coverage with: (check where applicable)

___ Navy Mutual Aid
___ Armed Forces Relief and Benefit Association

6. Check those areas that you attempted to assure coverage of under your present life insurance plan:

___ General coverage (beneficiaries can dispose of payment as they see fit)
___ Adjustment period (immediately after your death)
___ Monthly living income
___ Pay off mortgage on home
___ Educational needs of children

7. Do you have specific education insurance on your children?
Yes___ No___ Amount $_____

8. Based on your present status do you consider your insurance coverage adequate? Yes___ No___ Not sure____

III Estate Planning.

1. Do you have a will? Yes___ No___
Does your wife have a will? Yes___ No___

2. Is the will valid in your state of residence?
Yes___ No___ Not sure___
Is your wife's will valid in her state of residence?
Yes___ No___ Not sure___

3. Are you familiar with the laws of your state of residence with regard to dying intestate (without leaving a will)?
Yes___ No___ Not sure___

4. Have you reviewed your will recently in the light of changed circumstances such as:
a. Birth or adoption of children since the will was signed.
b. Death of any beneficiaries.
c. Death, age, failing powers or lack of qualification of person(s) named as executor? Yes___ No___
Wife's will: Yes___ No___

5. Part of estate planning would be to decide your family's income requirements; estimate government benefits available to widow and children as well as lump sum payments; determine how much insurance and/or investments will be required to fill the gap between the surviving family's income requirements and the available benefits. Have you taken steps to plan your estate?
Yes___ No___ When (if yes) _____

a. Have you sought professional advice regarding proper estate planning? Yes___ No___

6. Are you aware at what value your estate becomes subject to estate inheritance taxes? Yes___ No___ Not sure___

7. For Federal estate tax purposes would you consider the following proceeds as part of your estate?
a. Life insurance? Yes___ No___ Not sure___
b. Retired Serviceman's Family Protection Plan?
Yes___ No___ Not sure___

8. Are you familiar with the Uniform Gift to Minors Act?
Yes___ No___

9. If answer to question 8 is yes, have you considered this as a means of establishing an education fund for your children? Yes___ No___

IV <u>Savings/Investments</u>.

1. Have you accumulated a contingency fund roughly equal to one month's base pay (or more) in order to be financially prepared for unforeseen emergencies?
Yes___ No___ Almost___

2. In place of (or in addition to) life insurance income are you now saving for long term needs such as education of children and your own retirement income? Yes___ To some extent___ No___

a. Do you do so systematically (regular deposits or investments)? Yes___ No___

b. What type investments or savings do you have?

___ Series E bonds
___ Credit Union
___ Bank savings account
___ Savings and loan associations
___ Common stocks
___ Mutual funds - loaded
___ Mutual funds - no load
___ Real estate

c. Do you buy Series E bonds for:
Patriotic reasons___ Safety of investment___ Good return___

d. Why do you buy common stocks?
Good return___ Capital appreciation___ Safety___
Hedge against inflation___

e. Why do you buy mutual funds?
Good return___ Capital appreciation___ Safety___
Diversification___ Professional management___
Hedge against inflation___

f. Are you familiar with the principle of "dollar-cost-averaging"?
Yes___ No___ Somewhat___

g. Are you aware of the Monthly Investment Plan offered by member firms of the New York Stock Exchange for purchase of individual stocks in amount of $40 or more per month or quarter? Yes___ No___ Somewhat___

3. Do you "shop" around for the Savings and Loan Association that: (check as many as are applicable)

___ Pays the highest return?
___ Pays interest to date of withdrawal?
___ Is insured by agencies of U.S. Government?
___ Is most convenient?
___ Pays interest quarterly?

4. Do you own your present home? Yes___ No___

5. Do you consider buying a home as a form of investment?
Yes___ No___. If answer is yes, do you normally buy a home at duty stations wherever possible? Yes___ No___

V <u>Consumer Credit.</u>

1. Do you use the revolving credit plan available at most stores?
Always___ Occasionally___ Seldom___ Never___

2. If you do use the revolving credit plan, is it because: (check most applicable)

___ Money is not available to pay cash and the item is a necessity?
___ Money is not available to pay cash and the item is considered a capital investment where the return is over and above the costs?

___ It is convenient and payments are reasonable?

3. Do you know what true annual interest rate is charged when you use "charge" or "easy-credit" plans?
Yes___ No___ Sometimes___

4. Do you purchase large items such as automobiles, major appliances, or boats on time payments? Yes___ No___

If "yes"

		Yes	No	Sometimes
a.	Do you "shop" around for cheapest money or credit?	___	___	___
b.	Do you make the purchase on basis of small down payments, small monthly payments, without regard to true interest rates?	___	___	___
c.	Do you finance through the seller at his rates?	___	___	___

5. When signing a purchase contract do you always read the fine print to make sure that you are aware of your obligations under the contract?
Yes___ No___ Sometimes___

APPENDIX II

From: Commander Daniel L. Bailey, U. S. Navy
To: Commanding Officer, USS

Subj: Personal Financial Management Questionnaire for Submarine Officers; forwarding of

Encl: Questionnaires

1. Request you have a copy of enclosed questionnaire delivered to each of below named officers for completion and early return:

2. Your cooperation in this matter is greatly appreciated.

/s/ Daniel L. Bailey
/t/ Daniel L. Bailey

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